

Budget Process

Timeline

2014-2015 (FY15)

State budget cuts began in FY15. The base operating budget was reduced by \$17 M, then \$8.3 M in new operating and compensation funding was added back. But \$11.4 M in new operating expenses remained unfunded, creating a total impact of a \$28.4 M reduction. The President and Chancellors enacted cost-savings measures.

-\$28.4 M from FY14

November 2014

The Board of Regents in November passed a FY16 Operating budget 5.6% higher than FY15 – a modest increase including fixed cost increases and key priorities. The FY16 Capital budget included only deferred maintenance, completion of the UAF engineering building and research investments.

December 2014

As Gov. Walker took office the state faced a major deficit. His budget proposed a \$9.3 M reduction for the university – less of a cut than other agencies. His budget reflects his belief that higher education, research and workforce development are essential to Alaska and that the state needs to maintain a strong university system during this recession and beyond.

**Gov: -\$9.3 M from FY15
(plus impact of fixed cost increases)**

What is the UA Budget?

About 40 percent of the university's revenue comes from the state general fund (GF) with the rest earned through other sources such as external research investment, fees, tuition and auxiliary activities. The university makes an incremental **Operating budget** request based on prior year expenditures (baseline funding) and projected new expenses such as compensation increases and increased operating expenses. The **Capital budget** is separate and includes key facility repair, investment and new building funding.

Who creates and approves it?

Each of the three universities (UAA, UAF, UAS) and Statewide (SW) have **budget and planning offices** that project cost increases and guide decisions on new investment. In times of reductions they help guide cost-cutting and prioritization decisions. The **Chancellors** bring forward their budgets to the **President** and Statewide budget office in the summer to prepare proposals for **Board of Regents** approval. The Board of Regents approves the final budget in November which goes to the **Governor** in December and then **Alaska Legislature** in January. The SW budget office continues to work with the State during the legislative process while each campus office concurrently re-evaluates the changing funding picture.

What's being done to decrease costs?

Beginning in FY15, all three universities and statewide made concerted efforts to save money through efficiencies, reductions, strategic planning, re-organizations, hiring delays and elimination of vacant positions. Some common activities occurred throughout the system:

- Hiring delays of 90 – 120 days
- Reduced travel budget (legislative mandate)
- Positions eliminated through attrition
- Combining positions
- Systematic program reviews
- Program/Department reviews for efficiencies
- Combining administrative efforts/educational efforts for efficiency
- Use of technology to improve processes
- Energy/Sustainability improvements
- Reducing off-campus leases

What's being done to increase revenue?

In addition to reducing spending UA leadership evaluates ways to increase revenue. In September 2014, when the State deficit was much smaller, the Board of Regents chose not to increase tuition. In February 2015, facing significant reduction in state funding, they approved a 5% tuition increase. Development offices are seeking additional private and business donations. Research grants remain important external funding sources. New programs, such as "Come Home to Alaska" attract new students to increase enrollment.

Legislative Timeline

House Finance (Sub)Committee

Senate Finance (Sub)Committee

House and Senate Floor Votes

Conference

Governor

January – February

By January Alaska was facing an estimated deficit in excess of \$3.5 billion. All agency budgets were reduced. The House Finance Committee asked for even deeper cuts; up to 25% in FY16. Similar cuts are anticipated for FY17 and FY18.

March – April

As the budget bill works through House and Senate there are daily changes. Public testimony can sway decisions. Any reduction to the baseline funding is amplified by almost \$30 M in projected cost increases that are not funded.

Opportunity to advocate for reduced budget cuts.

May 2015

The Governor proposed minimal cuts to the university initially, but does not act on the budget again until after it passes the House and Senate. Even then he can only make additional cuts- he can't add back in funding, but he can veto and send the budget back to the legislature.

Final reduction to be determined

What is happening in Juneau as of March 5?

The governor's budget was sent to the **House finance subcommittee** in January. Throughout February the subcommittee held hearings with university representatives and made reductions. They sent their recommendations to the **full finance committee** in March. The full committee takes public testimony, makes changes and presents the full budget to the **House** for voting. Then the **Senate** takes up the budget in the same process: subcommittee, full committee and Senate vote. Differences between House and Senate budgets are resolved in **Conference Committee**. There are multiple rounds of changes during this period. Once approved by the legislature the budget goes to the **Governor** who can either sign it as is, or make additional line item vetoes. If vetoes are made, the legislature can override them with a 3/4's vote of the full legislature meeting in joint session. After this process, the bill becomes law on the dates specified in the bill.

How deep of a cut are we looking at?

A moving target...

Finance subcommittees are discussing cuts ranging from 5% up to 25%, not counting the additional impact of increased expenses, with the total impact reaching as much as \$70 million. A 10% cut would affect programs and services—a 20% cut would require total restructuring. Until the budget is enacted no one knows how great the reduction will be. We only know it will have severe impacts, and it is anticipated to last for multiple funding cycles.

How will we manage?

The university will have to make significant reductions in addition to the efforts already underway. Efficiency measures alone will not be enough.

Reduced Contracts

Employees either voluntarily or in lieu of layoff may adopt a reduced contract (e.g. 11-month) or reduced full time equivalency (e.g. 32-hour week).

Furlough

Employees may be furloughed to achieve payroll savings according to newly passed policy and regulation.

Layoffs & Non-Retention

Employees may be let go to achieve overall payroll savings.

Program & Facility Closures

Reducing some services, cutting programs and departments, and closing facilities will keep core programs and services strong while reducing net expenses.

What can I do to help?

Staff, students and faculty can help by identifying ways they can assist in cost-containment practices. They are encouraged to share ideas for savings or efficiencies. Additionally, the university community is encouraged to share stories of the value and benefit of the university. Letters of support and public testimony, especially encouraging the legislature to let UA manage the cuts, are appreciated. To keep up on the changing developments in Juneau sign on for regular [Capitol Report](http://www.alaska.edu/state) updates at www.alaska.edu/state.